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MEMORANDUM OF CONVERSATION

December 14, 1976

SUBJECT: Owens-Illinois - Venezuela

PARTICIPANTS: Brent Scowcroft, Assistant to the President
for National Security Affairs
William Spengler, President Owens-Illinois,
International Division
John Andrews, Washington Representative
for Owens-Illinois
David Lazar, NSC Staff

TIME AND PLACE: 1:15 p.m., Brent Scowcroft's Office

Mr. Spengler used the meeting principally to update General Scowcroft on the current Owens-Illinois situation in Venezuela. He said that the Government of Venezuela had asked O-I to build, at Government expense, two new furnaces to increase the capacity of the present O-I facility in that country. The estimated cost would be about \$45 million. Mr. Spengler said that O-I had made a counter-proposal under which the new furnaces, when built, would be offered for sale to the "private sector" (i.e. Owens-Illinois) so that the resulting package would be owned 51% by the GOV, 49% by O-I. (Comment: It was not clear whether O-I's counter-proposal related only to the new furnaces or to the entire facility as expanded by them but, in context, the latter seems probable.)

According to Mr. Spengler they have discussed this proposal with Laria who so far says "maybe". Mr. Spengler pointed out that the risk to O-I of passing their technology to the Government of Venezuela without being paid for it (the \$45 million would include costs and fees to O-I but nothing for the technology involved in the furnaces) is offset to some extent by the fact that the furnaces would take two years to build during which time O-I would be taking dividends out of the country on their present investment. Mr. Spengler said that O-I this year, for the first time (under the impetus of Section 24 of the Andean Code) had taken \$3 million in dividends out of

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Venezuela and would anticipate a like annual dividend for the next two years. Mr. Spengler indicated that O-I probably will go ahead with the construction of the new furnaces.

Mr. Spengler said that arbitration of the nationalization problem still is supposedly in the game but indicated his opinion that the GOV eventually will back away from arbitration.

General Scowcroft said that, although we didn't pretend to know the intentions of the Venezuelan Government, we find this new initiative on their part a hopeful sign.

Mr. Spengler touched on the Niehous matter. While not denigrating the efforts of the Venezuelan Government to find Mr. Niehous, he did express the wish that they had been and were more capable. He also expressed the hope that the State Department would not let this matter drop but would keep reminding the Venezuelan Government of it. General Scowcroft assured him we would stay in touch with State on this. Mr. Lazar pointed out that the Venezuelan Government had strong reasons of its own for wanting to find Mr. Niehous and solve the case.

Mr. Spengler said there was no action that Owens-Illinois wanted of the U.S. Government now but that he had only wished to bring us up to date. The meeting ended at 1:40 p.m.

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